



**REPORT BY THE
MUNICIPAL MANAGER**

ITEM

**FINAL 2019/20 MEDIUM-TERM REVENUE AND EXPENDITURE FRAMEWORK FOR
THE RAND WEST CITY LOCAL MUNICIPALITY**

1. PURPOSE

The purpose of this report is to obtain approval for the draft 2019/20 Medium-Term Revenue and Expenditure Framework (MTREF) before Council in terms of Section 24 of the Local Government: Municipal Finance Management Act, 2003 (No. 56 of 2003).

2. LEGISLATIVE BACKGROUND

The municipal budget process is substantially regulated through the provisions contained in chapter 4 of the Municipal Finance Management Act, 2003 (Act 56 of 2003) and the Municipal Budget and Reporting Regulations (2009) (MBRR).

Section 16(1) of the Municipal Finance Management Act (MFMA) stipulates that the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Section 16(2) further states that to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.

In addition, section 22 of the MFMA states that immediately after the annual budget is tabled in the municipal council, the accounting officer of the municipality must -

- (a) in accordance with Chapter 4 of the Municipal Systems Act -
 - (i) make public the annual budget and the documents referred to in section 17(3); and
 - (ii) invite the local community to submit representations in connection with the budget; and
- (b) submit the annual budget -
 - (i) in both printed and electronic formats to the National Treasury and the relevant provincial treasury; and
 - (ii) in either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.

The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), Chapter 4 deals with community participation. With specific reference to the budget process, section 16(1) (a) and (iv) stipulate that a municipality must encourage and create conditions for the local community to participate in the affairs of the municipality, including in the preparation, implementation and review of its integrated development plan and the preparation of its budget.



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Section 23(1) of the MFMA prescribes that when the annual budget has been tabled, the Council must consider any views of the local community; and the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the draft budget. Section 23(2) further directs that after considering all budget submissions, the Council must afford the Executive Mayor an opportunity to respond to the submissions; and if necessary to revise the budget and table amendments for consideration by Council.

The tabling of the draft 2019/20 Budget and IDP will be followed by several public consultation meetings with various stakeholders to strengthen the principles of people-centred governance, transparency and accountability. Community consultation meetings were held with all municipal wards.

Section 24(1) of the MFMA prescribes that the Council must consider approval of the annual budget at least 30 days before the start of financial year. Further, section 24(2) directs that an annual budget –

- (a) must be approved before the start of the budget year;
- (b) is approved by the adoption by the council of resolution referred to in section 17(3)(a)(i); and
- (c) must be approved together with the adoption of resolutions as may be necessary –
 - (i) imposing any municipal tax for the budget year;
 - (ii) setting any municipal tariffs for the budget year;
 - (iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - (iv) approving any changes to the municipality's integrated development plan; and
 - (v) approving any changes to the municipality's budget-related policies.

In conclusion, section 24(3) states that the accounting officer of a municipality must submit the approved draft budget to the National Treasury and the relevant provincial treasury.

3. FINAL 2019/20 MTREF POLICY STATEMENT AND STRATEGIC FRAMEWORK

The Constitution states that the three spheres of government must assist and support each other, share information and coordinate their efforts. Implementation of policies and government programmes require close cooperation between spheres of government especially at executive level.

The RWCLM strategic objectives are informed by the Sustainable Development Goals (SDGs), National Development Plan (NDP), National Outcomes, Back to



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Basics (B2B) - Ten Point Plan approach as well as the Gauteng Transformation, Modernisation and Re-industrialisation (TMR) Objectives.

The key strategies and objectives (goals) of the municipality contained in the IDP and which guide the budgetary allocations are:

- Develop business excellence through a learning organisation;
- To ensure provision of basic services to build sustainable and safe communities;
- To accelerate an inclusive growing green economy;
- To ensure financially viable and sustainable municipality;
- Clean and accountable government for sustainable local communities; and
- To promote integrated sustainable development planning for the future.

4. NATIONAL TREASURY DIRECTIVES

The National Treasury (NT) issued MFMA Circular No. 93 and 94 to guide municipalities with their preparation of the draft 2019/20 Medium Term Revenue and Expenditure Framework (MTREF). Among the objectives of this circular, is to support municipalities with giving effect to NT's Municipal Budget and Reporting Regulations (MBRR) within the current economic climate.

Circular 93 and 94 contains, *inter alia*, the following issues as summarised below.

- The South African economy and inflation targets

The following macro-economic forecasts must be considered when preparing the Draft 2019/20 MTREF.

Table 1 - Macro-economic indicators 2018-2021

Fiscal year	2018/19	2019/20	2020/21	2021/22
<i>Indicator</i>	<i>Estimate</i>	<i>Forecast</i>		
Consumer Price Inflation (CPI)	4.9%	5.6%	5.4%	5.4%
Real GDP growth	1.7%	2.1%	2.3%	2.1%

- The revenue budget

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. Based on the above CPI forecasts municipalities are now required to *justify all increases in excess of the 5.2 per cent* projected inflation target in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.



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- Funding choices and management issues

National Treasury (NT) urges municipalities to carefully consider the costs associated with service delivery while keeping in mind affordability and inflation when setting revenue raising measures. Furthermore, NT reminds municipalities that approving tariffs that are less than the cost associated with providing the services will negatively impact financial sustainability.

5. BUDGET-RELATED POLICIES

The Rand West City Local Municipality had to develop a set of comprehensive budget-related policies to ensure an effective policy framework is established to govern the financial management affairs of the newly established municipality.

The following budget-related policies are attached to this report and therefore submitted to Council for consideration and review:

- Bad Debt Write Off policy
- Borrowing Policy
- Budget Policy
- Capital Planning project policy
- Cash and Investments Policy
- Contract Management Policy
- Credit Control and Debt Collection Policy
- Fixed Asset Management Policy
- Funding and Reserves Policy
- Indigent Support Policy
- Inventory Policy
- Insurance Policy
- Irregular, Unauthorised, Fruitless and Wasteful Expenditure Policy
- Long Term Financial Planning Policy
- Property Rates Policy
- Supply Chain Management Policy
- Tariff Policy
- Unclaimed deposit policy
- Virement Policy
- Revenue Enhancement Policy

6. DISCUSSION OF THE FINAL 2019/20 MTREF

6.1 CONSOLIDATED OVERVIEW OF THE FINAL 2019/20 MTREF

Total operating revenue has grown by 9 per cent or R147 million for the 2019/20 financial year when compared to the 2018/19 Adjustments Budget. For the two outer years, operational revenue is forecasted at R2 billion and R2, 1 billion respectively.



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Table 2 - Consolidated Final 2019/20 MTREF

R thousand	Adjusted Budget 2018/19	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Total Operating Revenue	(1 877 634)	2 024 564	2 008 002	2 147 346
Total Operating Expenditure	1 937 606	(2 093 442)	(2 227 418)	(2 369 973)
(Surplus)/Deficit for the year	(59 971)	(68 878)	(219 416)	(222 626)
Total Capital Expenditure	236 466	397 843	259 380	274 119

Total operating expenditure for the 2019/20 financial year has been appropriated at R2, 093 billion and translates into a budgeted deficit of R68, 878 million which will be covered by the depreciation which is a non-cash item. When compared to the 2018/19 Adjustments Budget, the operating expenditure escalates by 8 per cent in the 2019/20 budget and by 6 per cent for each of the respective outer years of the Draft MTREF. The operating deficit for the two outer years increases to R219, 4 million and then escalates to R274, 1 million.

The final capital budget for 2019/20 financial year will be R397, 8 million. The reduction is due to various projects being finalised in the previous financial year as well as affordability constraints in the light of current fiscal circumstances of the municipality. The capital programme increases to R259, 4 million in the 2020/21 financial year and then shows an increase in 2021/22 to R274, 1 million. The capital budget will be fully funded from capital grants over MTREF with an anticipated review of the capital funding mix to be undertaken during the preparation of the 2019/20 MTREF. This review of the funding sources will determine whether the municipality can create additional financing capacity for capital investments from borrowings and internally generated revenue over the next 3 to 5 years as part of the financial recovery plan.

6.2 REVENUE FRAMEWORK

In order for the Rand West City Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these challenging socio-economic times, strong revenue management is fundamental to the financial sustainability of every municipality.

However, the reality is that we are faced with massive development backlogs and increasing levels of unemployment and poverty in our communities. The expenditure required to address these challenges will inevitably always exceed available funding. Hence, difficult choices must be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.



The table below highlights the proposed average percentage increase in tariffs per main service category.

Table 3 - Final tariff increases for the 2019/20 financial year

Revenue category	2019/20 Average tariff increase
Electricity	13.07%
Water	7.9%
Sanitation	6.4%
Refuse	6.4%
Property rates	6.4%

The following table is a summary of the 2019/20 MTREF by main revenue source.

Table 4 - Summary of revenue classified by main revenue source

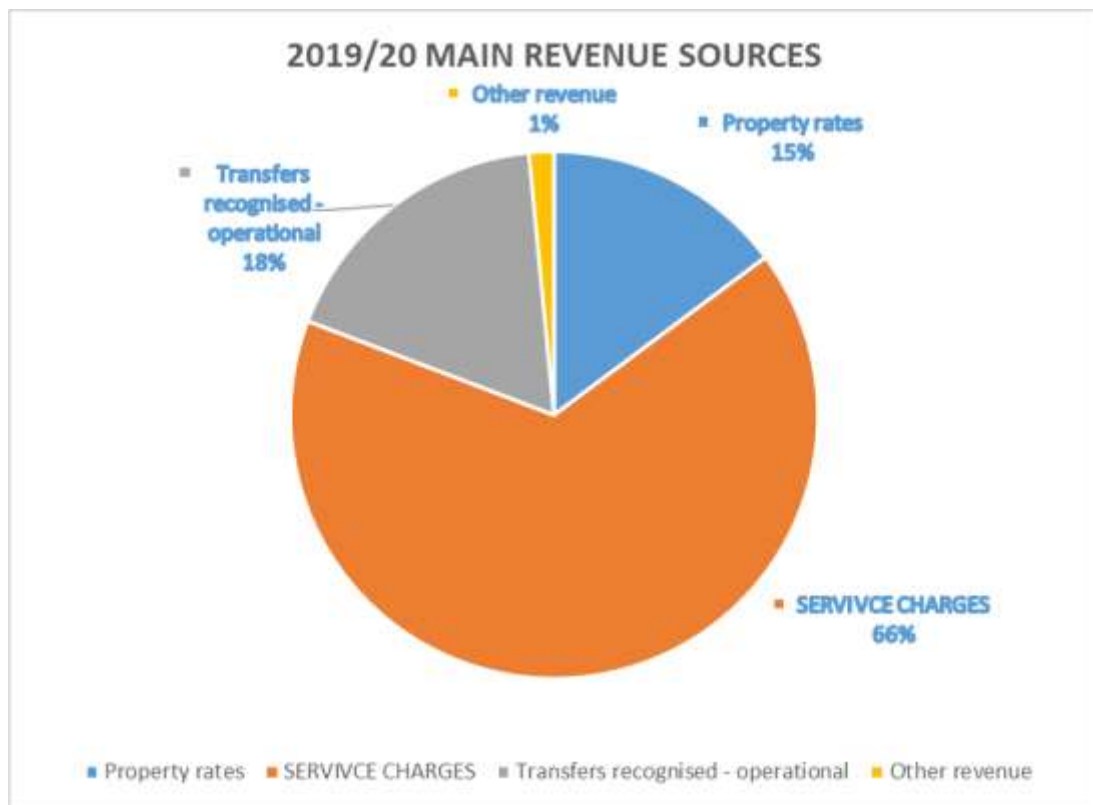
	2019/20 Medium term expenditure framework			
Description	Adjustment Budget 2018/19	Final Budget 2019/20	Budget year +1 2020/21	Budget year +2 2021/22
R' thousand	R'000	R'000	R'000	R'000
<u>Revenue By Source</u>				
Property rates	224,396	288,520	306,984	326,632
Service charges - electricity revenue	819,464	836,897	747,883	795,747
Service charges - water revenue	304,651	331,351	352,505	375,009
Service charges - sanitation revenue	53,851	55,273	58,810	62,574
Service charges - refuse revenue	61,648	64,177	68,285	72,655
Rental of facilities and equipment	1,841	2,222	2,364	2,516
Interest earned - external investments	3,398	2,473	2,632	2,800
Interest earned - outstanding debtors	26,077	37,886	40,311	42,891
Dividends received	53	53	56	60
Fines	12,599	12,599	13,405	14,263
Licenses and permits	91	106	113	120
Agency services	30,181	18,599	19,790	21,056
Transfers recognised – operational	307,469	344,610	363,217	397,351
Other revenue	31,915	29,797	31,647	33,673
Total revenue (excluding capital transfers and contributions)	1,877,635	2,024,564	2,008,002	2,147,346



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Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the municipality. In the 2019/20 financial year, revenue from rates and services charges totalled R1, 576 billion or 81 per cent of total operating revenue. This increases to R1, 534 billion, and R1, 633 billion in the respective financial years of the MTREF.

The figure below shows the main sources of revenue of the municipality for the 2019/20 financial year.



The main revenue sources are discussed below.

Sale of electricity

Electricity is the largest source of revenue for the municipality, contributing R836, 9 million or 41 per cent of total revenue in 2019/20 and increases to R747, 9 million in 2020/21 and R795, 7 million in 2021/22.

The 15.6 per cent increase in the Eskom bulk electricity tariff to municipalities will be effective from 1 July 2019 pending NERSA's announcement. Considering the Eskom increases, the increase in the consumer tariff is set at 13.07 per cent from 1 July 2019.

The municipality is currently auditing the electricity meters of the large power users which will result in an additional estimated revenue.



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All registered indigents will be granted 50 kWh per month free of charge.

Water revenue

Revenue from water service charges in the 2019/20 financial year amounts to R331, 4 million or 16 per cent of total revenue and increases to R352, 5 million in 2020/21 and R375 million in 2021/22 respectively.

Rand Water has increased its bulk tariffs with 7.9 per cent from 1 July 2019, which contributes significantly to the municipality's water input cost

The increase is based on the input cost assumptions of 10.2 per cent in the cost of bulk water (Rand Water), the cost of other inputs and a surplus generated on the water service.

In addition, 6 kl water per month will be granted free of charge to all registered indigents.

Property rates

Property rates is the third largest own revenue source after water service charges, totalling 14 per cent or R288,5 million and increases to R306,9 million by 2020/21 and R326,6 million in 2021/22.

The municipality is currently in a process of rectifying discrepancies relating to the property valuation, zoning and subdivisions and finalizing the dispute of the mine's property valuations which will result in an additional estimated revenue.

The 10% rebate for property tax on businesses is withdrawn.

The first R50 000 value of residential and certain other properties are exempted and registered indigents pay no property rates.

Sanitation revenue

An average tariff increase of 6.4 per cent for sanitation from 1 July 2019 is proposed which will result in the revenue of R55,3 million in the 2019/20 financial year, R58,8 million in 2020/21 and R62,6 million in the 2021/22 financial years.

This is based on the input cost assumptions and balancing the standardisation of tariff structures across the municipal area. It should be noted that sanitation charges are currently calculated according to the size of the property. This methodology may be reviewed and the municipality will investigate the possibility of introducing sanitation charges calculated according to the percentage water discharged.



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Free sanitation will be applicable to all registered indigents. The total revenue expected to be generated from rendering this service amounts to R55, 2 million for the 2019/20 financial year.

Refuse removal revenue

An average of 6.4 per cent increase in the waste removal tariff is proposed from 1 July 2019. The projected revenue for refuse removal is estimated to R64, 2 million for 219/20, R68, 3 million in the 2020/21 and R72, 7 in the 2012/22 financial years.

The municipality's waste service cost far exceed the revenue it generates. The revenue generated by this service is not sufficient to cover the cost of the service incurred by the municipality. Ageing infrastructure and the cost of maintaining landfill sites are very high, the other key challenge is the level of service the municipality provides to the communities. The municipality's service level standard is to collect refuse once every week from residential consumers and for certain business customers the service is extended to a more frequent basis.

It should be noted that all registered indigents will receive a free refuse removal service once a week.

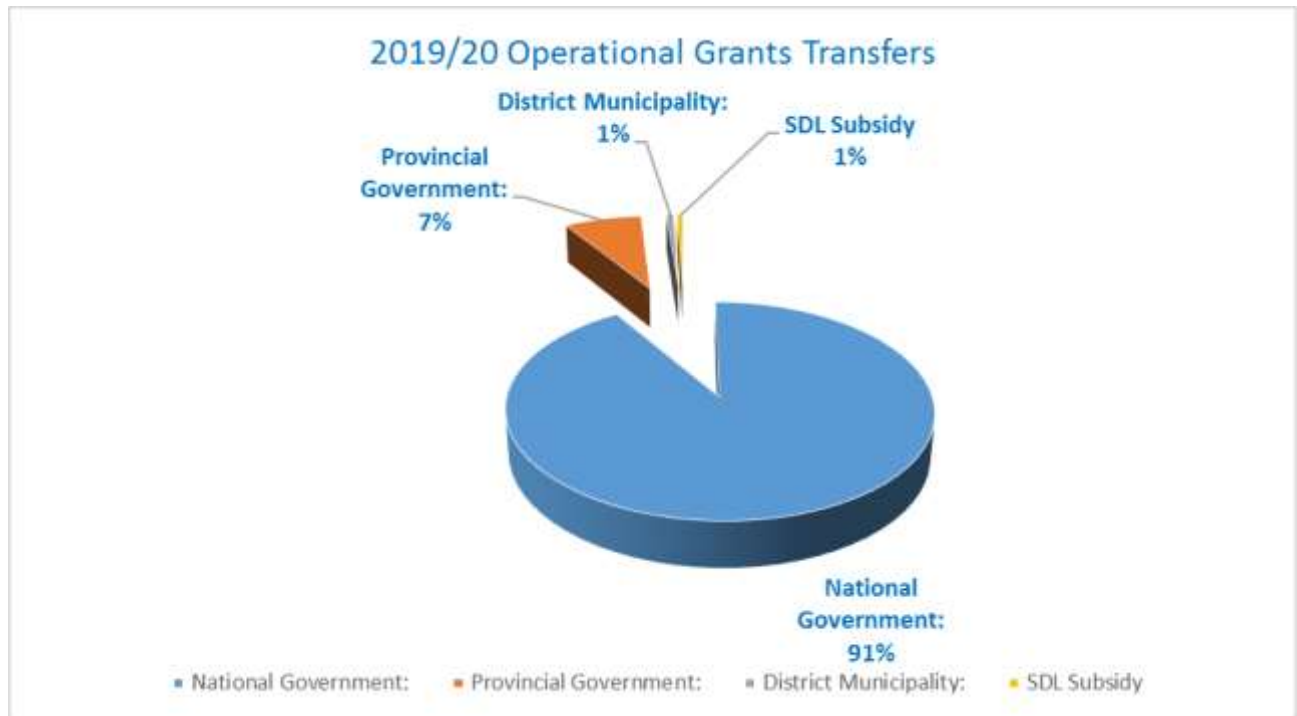
6.3 INTERGOVERNMENTAL FUNDING

The total operating and capital grants and transfers to be received by the municipality for the final MTREF amounts to R602 million for the 2019/20.

Operating grants and transfers total R344, 6 million in the 2019/20 financial year and will increase to R363, 2 million by 2020/21. The year-on-year growth for the 2019/20 financial year is marginal at 12 per cent and then shows an upward trend to 5 and 9 per cent respectively in the two outer years.



2019/20 Operating transfers and grants





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The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 5 - Operating Transfers and Grant Receipts

GT485 Rand West City - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		–	189,191	250,111	284,685	284,685	284,685	314,692	339,517	371,921
Finance Management			2,950	3,100	3,170	3,170	3,170	2,500	2,000	2,264
Local Government Equitable Share			178,750	239,112	274,916	274,916	274,916	303,723	331,754	363,365
EPWP Incentive			3,509	3,673	2,135	2,135	2,135	3,011	–	–
Municipal Infrastructure Grant			3,983	4,226	4,464	4,464	4,464	4,558	4,818	5,192
Municipal Systems Improvement								900	945	1,100
Provincial Government:		–	25,976	31,250	23,160	23,460	23,460	25,717	23,700	25,430
Libraries Plan Grant			11,227	19,250	3,000	3,000	3,000	6,400	7,000	7,500
Department of Co-operative Governance - GRAP 1			1,000	1,000	1,000	1,000	1,000	1,000	–	–
Department of Co-operative Governance - PMS			2,000	–	1,000	1,000	1,000	–	–	730
Sport and Recreation			11,749	11,000	17,160	17,460	17,460	18,317	16,700	17,200
EPWP					1,000	1,000	1,000	–	–	–
District Municipality:		–	2,296	2,228	2,296	2,296	2,296	2,351	–	–
HIV/Aids District Grant			2,296	2,228	2,296	2,296	2,296	2,351	–	–
Other grant providers:		–	1,810	1,725	1,649	1,649	1,649	1,850	–	–
SDL Subsidy			1,810	1,725	1,649	1,649	1,649	1,850	–	–
Total Operating Transfers and Grants	5	–	219,273	285,314	311,790	312,090	312,090	344,610	363,217	397,351
Capital Transfers and Grants										
National Government:		–	128,882	130,453	155,811	155,811	155,811	182,160	184,197	194,900
Water Services Operating Subsidy			30,000	35,000	55,000	55,000	55,000	64,891	68,460	70,000
Energy Efficiency and Demand Management					6,000	6,000	6,000	5,000	5,000	6,000
Municipal Infrastructure Grant			76,093	83,453	84,811	84,811	84,811	86,597	91,537	98,644
INEP			22,789	12,000	10,000	10,000	10,000	72	–	–
								25,600	19,200	20,256
Provincial Government:		–	83,505	57,220	146,783	88,400	88,400	75,183	75,183	79,219
Human Settlement Development Grant			83,505	57,220	146,783	88,400	88,400	73,383	73,383	77,419
Sport and Recreation								1,800	1,800	1,800
District Municipality:		–	–	–	–	–	–	–	–	–
HIV/Aids District Grant										
Other grant providers:		–	–	–	–	–	–	–	–	–
SDL Subsidy										
Total Capital Transfers and Grants	5	–	212,387	187,673	302,594	244,211	244,211	257,343	259,380	274,119
TOTAL RECEIPTS OF TRANSFERS & GRANTS		–	431,660	472,987	614,384	556,301	556,301	601,953	622,597	671,470

Capital grants and transfers amount to R182,1 million in 2019/20 and escalate to R188 million by 2020/21. The MIG allocation is the largest capital grant to be received by the municipality over the medium term totalling R91,2 million in 2019/20 and increases to R96.4 million in 2020/21.



6.4 EXPENDITURE FRAMEWORK

The draft operating expenditure for the 2019/20 MTREF is estimated at R2, 126 billion which will increase to R2, 262 billion and R2, 407 billion in 2020/21 and 2021/22 respectively. The increase relates mainly to the increase in bulk tariffs for water and electricity as well as expected increase in employee costs. The municipality also requires significant resources to fund infrastructure maintenance.

The following table is a high-level summary of the Draft 2019/20 Expenditure budget and MTREF (classified per main type of operating expenditure).

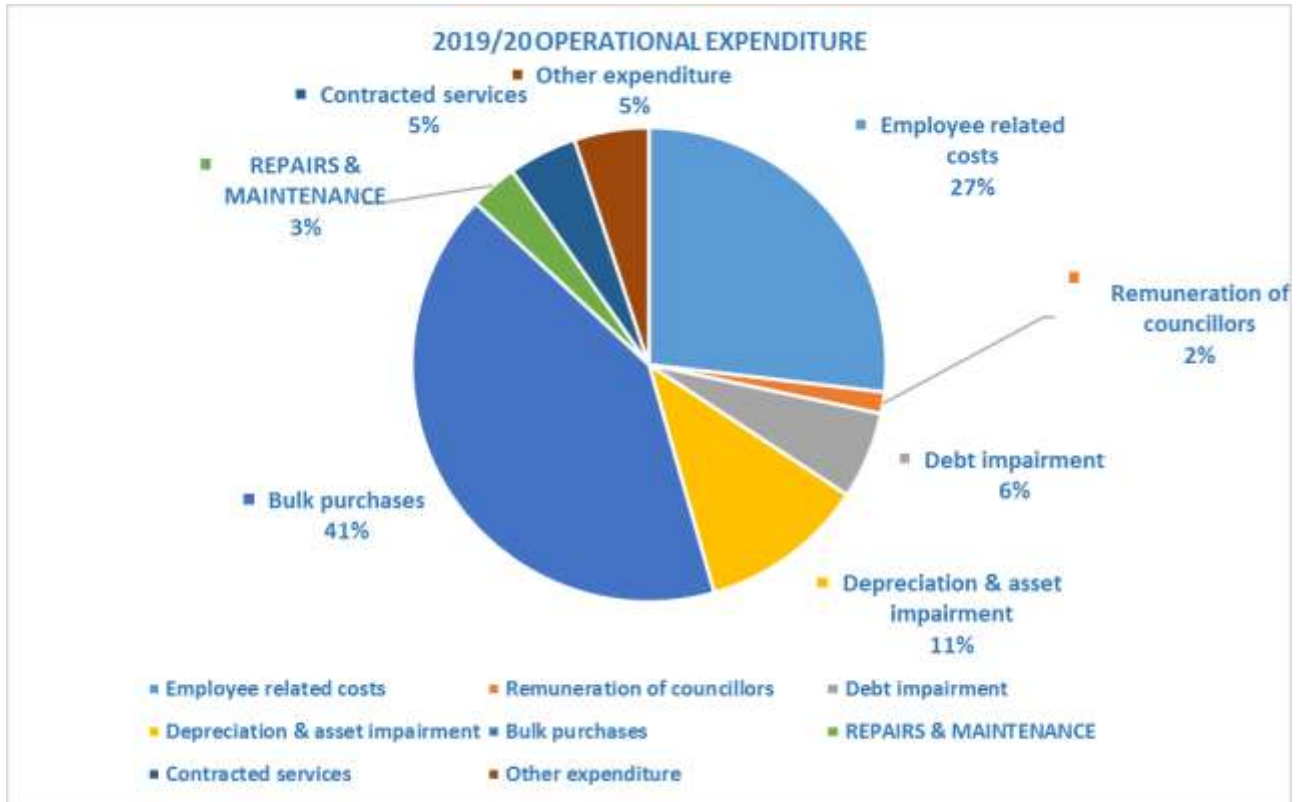
Table 6 - Summary of operating expenditure by standard classification item

	Adjustment Budget 2018/19	2019/20 Medium Term Revenue & Expenditure Framework		
		Final Budget 2019/20	Budget year +1 2020/21	Budget year +2 2021/22
<u>Expenditure By Type</u>				
Employee related costs	519,095	550,640	585,881	623,377
Remuneration of councillors	28,207	30,153	32,083	34,136
Debt impairment	115,672	121,918	129,721	138,023
Depreciation & asset impairment	178,508	231,732	246,563	262,343
Finance charges	28,431	42,423	45,138	48,027
Bulk purchases	730,221	849,043	903,381	961,198
Repairs & Maintenance	101,194	66,969	71,255	75,816
Contracted services	142,543	96,113	102,260	108,805
Transfers and grants	1,590	–	–	–
Other expenditure	92,146	104,451	111,136	118,249
Total Expenditure	1,937,606	2,093,442	2,227,418	2,369,973



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The following graph illustrates the percentage share each expenditure group constitutes of the total operating expenditure for the 2019/20 financial year.



The expenditure groups are discussed below:

Employee related costs

The employee related costs amount to R550, 6 million or 26 per cent of the total operating expenditure for the 2019/20 Draft MTREF budget. The employee related costs is estimated using the current salary levels paid to the staff and is projected to increase to R585, 9 million in 2020/21. The fact that the organisational structure and job evaluation process are not completed pose a significant risk that the budget for salaries might be understated.

Remuneration of Councillors

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The remuneration for councillors was estimated to increase by 6.9 per cent in the next financial year.



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Bulk Purchases

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. Bulk purchases expenditure for water and electricity from Rand Water and Eskom respectively will amount to R849 million or 41 per cent of total operating expenditure in 2019/20 Draft MTREF budget.

The expenditure is unavoidable and an extreme priority in terms of service delivery and is expected to increase to R903, 4 million or 40 per cent of total operating expenditure in 2020/21. The main concern remains the substantial loss of revenue suffered by the municipality due to technical and non-technical factors. Concerted efforts should be made to significantly reduce these distribution losses.

Depreciation and Asset Impairment

The depreciation and asset impairment expenditure amount to R231, 7 million in 2019/20 or 11 per cent of the total operating expenditure. This expenditure item is expected to increase to R246.6 million or 10 per cent of the total operating expenditure budget in the 2020/21 financial year.

Repairs and maintenance (Other Materials)

Repairs and maintenance is budgeted at R67 million in the 2019/20 financial year, which is mainly for the maintenance of the municipality's infrastructure assets. In line with the municipality's repairs and maintenance plan this group of expenditures has been prioritised to ensure sustainability of the municipality's infrastructure and efficient service delivery.

Contracted Services

In the 2019/20 financial year the contracted services is forecasted at the amount of R96 million, which is mainly made up of the security services, debt collection, prepaid vending and credit control services.

As one of the processes to enhance revenue the municipality acquired services of the debt collector, valuation of properties and meter audit for large power users which will improve the cash flow.

In the 2019/20 financial year, this group of expenditures will be further reviewed to cost efficiencies and the implementation of cost containment measures.

Other Expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality which is projected at R104 million in the 2019/20 financial year. Included in other expenditures are the costs of fuel and professional fees.



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DRAFT CAPITAL BUDGET

The final capital expenditure is budgeted at R397, 9 million during the 2019/20 financial year. The three-year capital budget will be funded mainly from government grants due to own revenue constraints as discussed above.

The following table provides a breakdown of budgeted capital expenditure by functional classification or vote.

Table 7 2019/20 Medium-term capital budget per functional classification

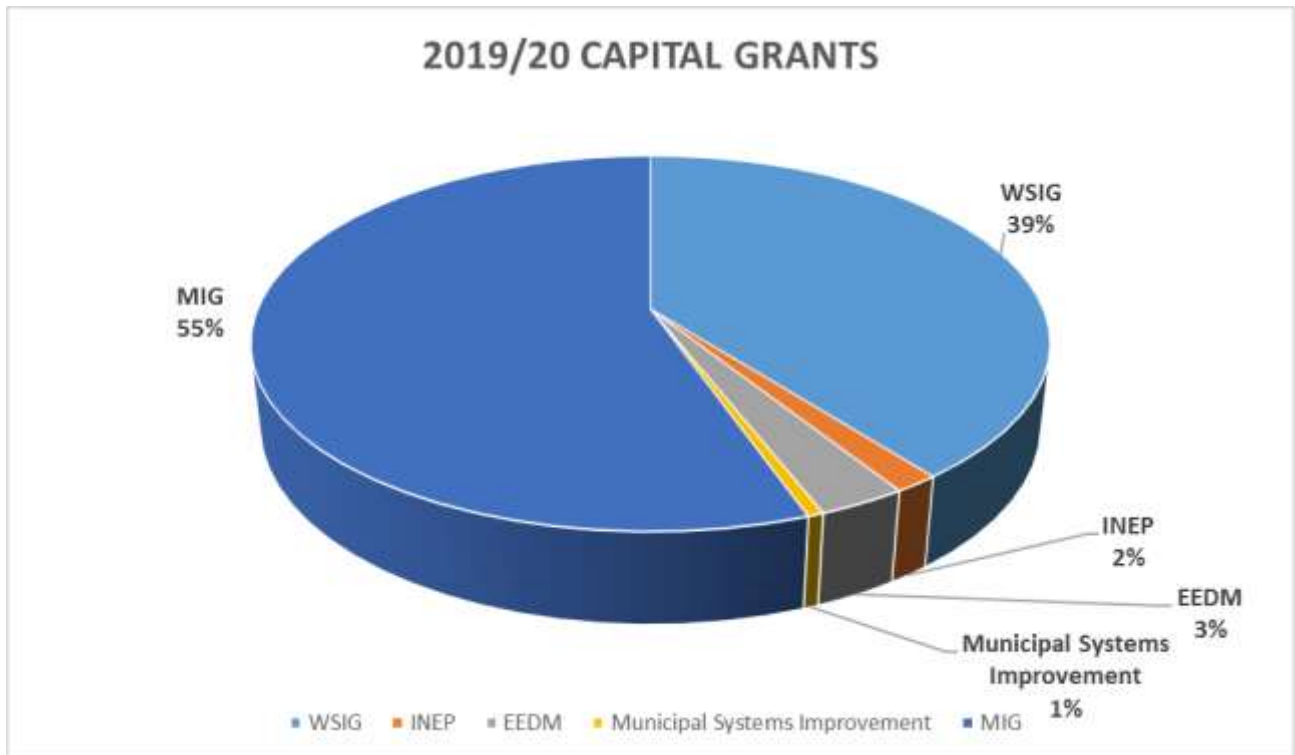
Vote Description	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Total Capital Expenditure - Vote	233,703	324,866	236,466	236,466	–	397,843	259,380	274,119
Capital Expenditure - Functional								
Governance and administration	2,396	100	100	100	100	72	–	–
Executive and council		100	100	100	100	–	–	–
Finance and administration						72	–	–
Internal audit	2,396					–	–	–
Community and public safety	31,770	24,257	18,265	18,265	18,265	3,000	8,800	18,800
Community and social services	31,770	3,000	3,000	3,000	3,000	1,800	1,800	1,800
Sport and recreation	–	13,257	14,265	14,265	14,265	1,200	7,000	17,000
Public safety								
Housing	–	8,000	1,000	1,000	1,000	–	–	–
Health		–	–	–	–			
Economic and environmental services	92,101	72,961	57,192	57,192	57,192	76,300	64,037	54,144
Planning and development								
Road transport	92,101	72,961	57,192	57,192	57,192	76,300	64,037	54,144
Environmental protection		–						
Trading services	107,435	222,376	155,737	155,737	155,737	314,771	186,543	201,175
Energy sources	35,297	75,000	64,383	64,383	64,383	169,400	24,200	29,256
Water management		140,002	89,981	89,981	89,981	78,762	84,733	90,309
Waste water management	72,139	7,374	1,374	1,374	1,374	66,610	77,610	81,610
Waste management	–	–	–	0	0			
Other	–	5,171	5,171	5,171	5,171	3,700	–	–
Total Capital Expenditure - Functional	233,703	324,866	236,466	236,466	236,466	397,843	259,380	274,119
Funded by:								
National Government	164,082	155,811	155,811	155,811	155,811	182,160	184,197	194,900
Provincial Government	–	159,783	71,383	71,383	71,383	75,183	75,183	79,219
District Municipality	–							
Other transfers and grants	–	–						
Transfers recognised - capital	164,082	315,594	227,194	227,194	227,194	257,343	259,380	274,119
Borrowing	69,621					136,800	–	–
Internally generated funds	–	9,271	9,271	9,271	9,271	3,700	–	–
Total Capital Funding	233,703	324,866	236,466	236,466	236,466	397,843	259,380	274,119



The national capital grant funding for the 2019/20 budget year will amount to R397, 8 million and comprise of the Municipal Infrastructure Grant (MIG), Integrated National Electrification Programme (INEP), Municipal Water Infrastructure Grant (MWIG) and Municipal Systems improvement.

The breakdown of the 2019/20 capital grants is depicted in the figure below.

2019/20 Capital grants





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Table 8 2018/19 MTREF – Detailed Capital Budget
GT485 Detailed Capital Budget, Supporting table SA36

GT485 Rand West City - Supporting Table SA36 Detailed capital budget						2019/20 Medium Term Revenue & Expenditure Framework		
R thousand								
Function	Project Description	Own Strategic Objectives	Asset Class	Asset Sub-Class	Ward Location	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
Parent municipality:								
List all capital projects grouped by Function								
Infrastructure Services	Rehabilitation of Sewer Networks in Mohlakeng and Toekomsrus		Sanitation Infrastructure	Reticulation	All Wards	–	6,000	8,000
Infrastructure Services	Rehabilitation of Roads in Simunye Phase 1		Roads Infrastructure	Roads	All Wards	–	1,500	8,000
Infrastructure Services	Rehabilitation of roads in Zuurbekom(Phase3)		Roads Infrastructure	Roads	All Wards	10,000	9,000	6,500
Infrastructure Services	Construction of Old Mohlakeng Roads Ext 7 Phase 2		Roads Infrastructure	Roads	Ward 19	12,000	6,000	–
Infrastructure Services	Rehabilitation of Roads in Mohlakeng Phase 5B		Roads Infrastructure	Roads	All Wards	–	5,000	–
Infrastructure Services	Construction of Old Mohlakeng Roads in Ext11 Phase 4		Roads Infrastructure	Roads	Ward 11	1,500	10,000	7,000
Infrastructure Services	Construction of roads at mohlakeng (Ext 3 and 4) Phase 2		Roads Infrastructure	Roads	All Wards	12,000	6,000	–
Infrastructure Services	Rehabilitation of road in Finsbury		Roads Infrastructure	Roads	All Wards	14,300	–	–
Infrastructure Services	Upgrading of storm water in Mohlakeng and Toekomsrus		Roads Infrastructure	Road Structures	All Wards	–	8,000	8,000
Infrastructure Services	Rehabilitation of roads in Mohlakeng and Toekomsrus Phase 5B		Roads Infrastructure	Roads	All Wards	15,000	–	–
Infrastructure Services	Access road to Westonaria cemetery		Roads Infrastructure	Roads	Ward 24	1,500	9,537	–
Infrastructure Services	Construction of Combi Courts,Soccer fields and Ablution Facilities at Borwa		Sport and Recreation Facilities	Outdoor Facilities	Ward 26	–	–	1,500
Infrastructure Services	Upgrading of Toekomsrus stadium		Sport and Recreation Facilities	Outdoor Facilities	Ward 8	–	–	9,000
Infrastructure Services	Electrification of Zenzele informal Settlement		Electrical Infrastructure	LV Networks	Ward 12	136,800	–	–
Infrastructure Services	Installation of high mast lights in Greater Randwest		Electrical Infrastructure	MV Networks	All Wards	2,000	–	3,000
Infrastructure Services	Construction of Roads and Stormwater in Badirile Phase 3		Roads Infrastructure	Roads	Ward 1	1,500	6,000	6,500
Infrastructure Services	Construction of Roads in Montrose Phase 1		Roads Infrastructure	Roads	Ward 2	–	1,500	9,000
Infrastructure Services	Construction of Roads in Westonaria Borwa Phase 1		Roads Infrastructure	Roads	All Wards	–	1,500	9,144
Infrastructure Services	Construction of Simunye Internal Roads (Phase8B)		Roads Infrastructure	Roads	Ward 17	8,500	–	–
Infrastructure Services	Zuurbekom Multi Purpose Sport & Recreation Community Centre (Soccer Field)		Sport and Recreation Facilities	Outdoor Facilities	Ward 17	1,200	7,000	6,500
Infrastructure Services	Hills Haven Outfall Sewer Upgrade		Sanitation Infrastructure	Reticulation	Ward 26	1,500	6,500	8,500
Infrastructure Services	Construction of Glenharvie Alternate Pump Supply pipeline		Water Supply Infrastructure	Distribution	Ward 23	1,500	8,000	8,000
Infrastructure Services	Provision of Water reticulation,Water meters and standpipes at Bekkersdal Informal Se		Water Supply Infrastructure	Distribution	Ward 31-35	28,917	28,917	28,917
Infrastructure Services	Provision of Water reticulation,Water meters,standpipes and mini reservoir at Thusana		Water Supply Infrastructure	Distribution	Ward 30	10,864	14,433	15,973
Infrastructure Services	Upgrading of Randfontein Wastewater Treatment Plant		Sanitation Infrastructure	Water Treatment Work	All Wards	25,110	25,110	25,110
Infrastructure Services	Supply and Installation of Prepaid Water Meters in Randwest		Water Supply Infrastructure	Distribution	All Wards	4,097	–	–
Infrastructure Services	Borwa substation		Electrical Infrastructure	HV Substations	Ward 26	9,600	9,600	9,600
Infrastructure Services	Borwa substation:reticulation & service connections		Electrical Infrastructure	HV Substations	Ward 27	16,000	9,600	10,656
Infrastructure Services	Refurbishment of Mohlakeng Highmast Lights		Electrical Infrastructure	MV Networks	All Wards	5,000	5,000	6,000
Development Planning	Construction of 20ML Droogheuwel Water Reservoir&2ML Elevated Tower		Water Supply Infrastructure	Distribution	Ward 2	33,383	33,383	37,419
Development Planning	Provision of Bulk Infrastructure Housing Sewer Line:Westonaria Borwa		Sanitation Infrastructure	Reticulation	Ward 26	10,000	10,000	10,000
Development Planning	Provision of Bulk Infrastructure Housing Sewer Line:Westonaria Mega		Sanitation Infrastructure	Reticulation	Ward 24	10,000	10,000	10,000
Development Planning	Provision of Bulk Infrastructure Housing Sewer Line:Afri-Village		Sanitation Infrastructure	Reticulation	Ward 4	10,000	10,000	10,000
Development Planning	Provision of Bulk Infrastructure Housing Sewer Line:Montrose		Sanitation Infrastructure	Reticulation	Ward 2	10,000	10,000	10,000
Chief Information Officer	I.T Equipment		Computer Equipment	Unspecified	Ward 5	700	–	–
Chief Financial Officer	I.T Equipment		Computer Equipment	Unspecified	Ward 5	72	–	–
Community Services	Furniture&Equipment		Furniture and Office Equipment	Libraries	Ward 5	100	100	100
Community Services	ICT Equipment		Computer Equipment	Libraries	Ward 5	200	200	200
Community Services	Procurement of Library Books		Sport and Recreation Facilities	Libraries	Ward 5	1,000	1,000	1,000
Community Services	Furniture&Equipment for Dual Purpose Libraries		Sport and Recreation Facilities	Libraries	Ward 5	500	500	500
Corporate Services	Procurement Of Vehicles		Transport Assets	Unspecified	All Wards	3,000	–	–
Parent Capital expenditure						397,843	259,380	274,119



RECOMMENDED:

That it be recommended to Council:

1. That in terms of section 24 of the Municipal Finance Management Act, 2003 (Act 56 of 2003), the annual budget of the municipality for the financial year 2019/20 and the multi-year appropriations as set out in the following tables as contained in the **2019/20 Final MTREF** budget **is** approved for review:
 - 1.1. Budgeted Financial Performance (revenue and expenditure by standard classification;
 - 1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.3. Budgeted Financial Performance (revenue by source and expenditure by type);
 - 1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source;
 - 1.5. Budgeted Financial Position;
 - 1.6. Budgeted Cash Flows;
 - 1.7. Cash backed reserves and accumulated surplus reconciliation; and
 - 1.8. Asset management.
2. That in terms of section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) the tariffs for 2019/20 property rates, electricity, the supply of water, sanitation services as well as refuse removal services as set out in the Final **Municipal Tariff Book (Annexure "1")** are approved for review.
3. That it be noted that the implementation of the proposed increase in electricity tariffs is within the National Electricity Regulator of South Africa (NERSA) guidelines.
4. That in terms of section 75A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) the tariffs for sundry services as set out in Final **Municipal Tariff Book (Annexure "1")** are approved for review.
5. that cognizance be taken that all indigent households who have been registered, verified and approved with a threshold of R4,000-00 and less be accorded assistance as follows:-
 - 6 kl free water
 - 50 kWh free electricity
 - Full subsidy for property rates
 - Full subsidy for sanitation
 - Full subsidy for refuse removal



**REPORT BY THE
MUNICIPAL MANAGER**

6. That the following budget-related policies for the Rand West City Local Municipality be approved:
 - 6.1 Draft 2019/20 Municipal Tariff Book (**Annexure “1”**)
 - 6.2 Bad Debt Write Off policy (**Annexure “2”**)
 - 6.3 Borrowing Policy (**Annexure “3”**)
 - 6.4 Budget Policy (**Annexure “4”**)
 - 6.5 Virement Policy (**Annexure “5”**)
 - 6.6 Capital Planning project policy (**Annexure “6”**)
 - 6.7 Cash and Investment Policy (**Annexure “7”**)
 - 6.8 Contract Management Policy (**Annexure “8”**)
 - 6.9 Credit Control and Debt Collection Policy (**Annexure “9”**)
 - 6.10 Fixed Asset Management Policy (**Annexure “10”**)
 - 6.11 Funding and Reserves Policy (**Annexure “11”**)
 - 6.12 Indigent Support Policy (**Annexure “12”**)
 - 6.13 Inventory Policy (**Annexure “13”**)
 - 6.14 Insurance Policy (**Annexure “14”**)
 - 6.15 Irregular, Unauthorised, Fruitless and Wasteful Expenditure Policy (**Annexure “15”**)
 - 6.16 Long Term Financial Planning Policy (**Annexure “16”**)
 - 6.17 Property Rates Policy (**Annexure “17”**)
 - 6.18 Supply Chain Management Policy (**Annexure “18”**)
 - 6.19 Tariff Policy (**Annexure “19”**)
 - 6.20 Unclaimed deposit policy (**annexure “20”**)
 - 6.21 Revenue Enhancement Policy (**Annexure “21”**)
7. The final policies and tariffs be workshopped.
8. That the circular 93 and 94 be used in the compilation of the 2019/2020 budget
9. That the approved increases for 2019/20 ;13.07% for electricity,7,9% for water, 6,4% for refuse and sanitation and 6,4% for property tax be considered.